Precision Trading Volume 2

Wednesday, April 23, 2014 7:00 PM

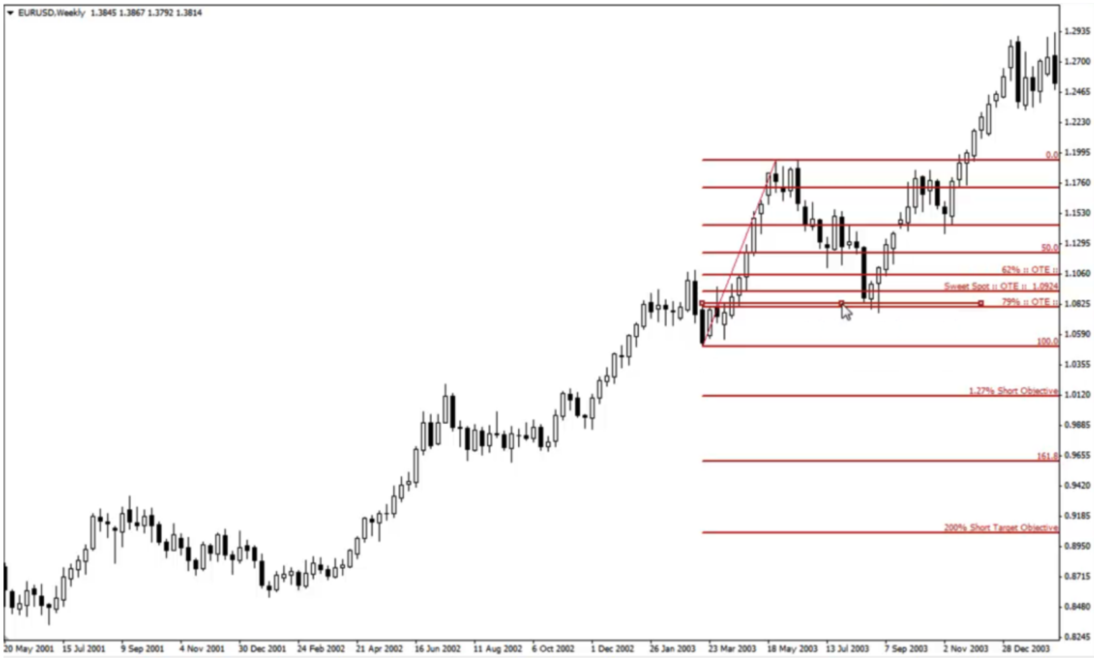
- We want to look for specific reaction levels where price moved away from aggressively, spent very little time there, and then returned back to it in the form of an order block.
- ICT does not have a whole lot of faith in candlestick patterns by themselves.
- Long wicked candles are not the best candles to use for order blocks. You want to use the candles with more body.
- In the image below, price placed in a long term low based on market structure. It rallied away from the pinbar pretty strongly and broke market structure to the upside. After that, it returned to an order block for a really nice rally.



- As price continues to rally higher, we have new order blocks that we can use to get in sync with this move.



- That order block also had a nice confluence with the 79% Fibonacci retracement. This is how you can have a long term bias/forecast and it was exactly how ICT was forecasting the pair to go higher.



- We don't just buy when price gets back down into a weekly order block level. What we are looking for is a confluence of supporting factors on the lower time frames as well. That means on the daily chart, 4 hour chart, 1 hour chart, 15 minute chart, and even the 5 minute time frame when it comes to execution. It also needs to happen during a kill zone so that we have a time & price convergence theory.
- Price comes down to where we anticipate the order block to unfold, but then we have to wait for price & time to meet. It should happen around market openings and closes.
- You could look for any kind of bullish pattern in this area. All of a sudden everything that we see in textbooks will begin to be profitable in this environment. We have the market trending higher and order flow is on our side.
- With these setups we need to keep the extreme large profit potential in mind. Yes we can take partial profits and fund our trade to eliminate risk, but then we can just let it ride for the higher time frame profit objective.
- The trade in the image above would have made roughly $5,000 when the risk was only $300.
- You only need a few of these types of trades a year over a collection of all the majors.
- Combining all the above factors with seasonal tendencies makes the probabilities of this trade even higher.
- We can still trade shorter term trades with maximum risk (2%) in another account while holding this long term position that we have already moved to break even on.
- When trading against the higher time frame bias, if you absolutely have to do it, you should only be risking 0.5% or a maximum of 1%.
- When you arm wrestle the banks they will win every time.
- Below is just another example of a nice order block.



- The framework for an OTE is always built upon the institutional order block.
- With these trades, you would be holding them with the premise that you think price will at least get back to an old high.
- ICT said his trades are roughly $120 per pip.
- In the image below, do you think if someone with more money than us went long somewhere in that order block that they have a vested interest in protecting it? YES.



- When bullish order blocks get blown through we should be nervous. The one on the far right in the image below was violated. It ended up bouncing using the previous highs as a support level.



- We get our high time frame levels on our charts and then trades materialize based on liquidity around those levels.
- As we find these weekly order blocks we also want to manage our trade on the weekly time frame objectives.
- Once the order blocks unfold and are being respected, you can short term trade, day trade, scalp, etc. in the direction of the order block.